

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

In re: Reza Athari & Associates, P.L.L.C.

Case No. 14-10724-ablCHAPTER 11
MONTHLY OPERATING REPORT
(GENERAL BUSINESS CASE)

SUMMARY OF FINANCIAL STATUS

MONTH ENDED: 7/31/14PETITION DATE: 02/02/14

1. Debtor in possession (or trustee) hereby submits this Monthly Operating Report on the Accrual Basis of accounting (or if checked here the Office of the U.S. Trustee or the Court has approved the Cash Basis of Accounting for the Debtor).
- Dollars reported in \$1

	<u>End of Current Month</u>	<u>End of Prior Month</u>	<u>As of Petition Filing</u>
2. Asset and Liability Structure			
a. Current Assets	<u>\$285,137</u>	<u>\$242,303</u>	
b. Total Assets	<u>\$364,077</u>	<u>\$307,003</u>	<u>\$64,700</u>
c. Current Liabilities	<u>\$109,321</u>	<u>\$56,791</u>	
d. Total Liabilities	<u>\$1,064,184</u>	<u>\$1,011,654</u>	<u>\$751,238</u>
3. Statement of Cash Receipts & Disbursements for Month	<u>Current Month</u>	<u>Prior Month</u>	<u>Cumulative (Case to Date)</u>
a. Total Receipts	<u>\$347,279</u>	<u>\$215,907</u>	<u>\$1,475,186</u>
b. Total Disbursements	<u>\$304,445</u>	<u>\$178,131</u>	<u>\$1,205,312</u>
c. Excess (Deficiency) of Receipts Over Disbursements (a - b)	<u>\$42,834</u>	<u>\$37,776</u>	<u>\$269,874</u>
d. Cash Balance Beginning of Month	<u>\$242,103</u>	<u>\$204,327</u>	<u>\$15,063</u>
e. Cash Balance End of Month (c + d)	<u>\$284,937</u>	<u>\$242,103</u>	<u>\$284,937</u>
4. Profit/(Loss) from the Statement of Operations	<u>Current Month</u>	<u>Prior Month</u>	<u>Cumulative (Case to Date)</u>
5. Account Receivables (Pre and Post Petition)	<u>\$4,544</u>	<u>\$18,321</u>	<u>\$155,290</u>
6. Post-Petition Liabilities	<u>\$0</u>	<u>\$0</u>	
7. Past Due Post-Petition Account Payables (over 30 days)	<u>\$109,321</u>	<u>\$56,791</u>	
	<u>\$0</u>	<u>\$0</u>	

At the end of this reporting month:

8. Have any payments been made on pre-petition debt, other than payments in the normal course to secured creditors or lessors? (if yes, attach listing including date of payment, amount of payment and name of payee) Yes No
9. Have any payments been made to professionals? (if yes, attach listing including date of payment, amount of payment and name of payee) Yes No
10. If the answer is yes to 8 or 9, were all such payments approved by the court? Yes No
11. Have any payments been made to officers, insiders, shareholders, relatives? (if yes, attach listing including date of payment, amount and reason for payment, and name of payee) Yes No
12. Is the estate insured for replacement cost of assets and for general liability? Yes
13. Are a plan and disclosure statement on file? Yes
14. Any post-petition borrowing during this reporting period? (See Due to Affiliates) Yes

15. Check if paid: Post-petition taxes X; U.S. Trustee Quarterly Fees X; Check if filing is current for: Post-petition tax reporting and tax returns: X.

(Attach explanation, if post-petition taxes or U.S. Trustee Quarterly Fees are not paid current or if post-petition tax reporting and tax return filings are not current.)

I declare under penalty of perjury I have reviewed the above summary and attached financial statements, and after making reasonable inquiry believe these documents are correct.

Date: 8/19/14

Reza Athari

STATEMENT OF OPERATIONS

(General Business Case)

For the Month Ended 07/31/14

Current Month			Cumulative (Case to Date)	Next Month Forecast
Actual	Forecast	Variance		
\$316,903	\$296,000	\$20,903		
\$10,861	\$10,300	\$561		
\$306,042	\$285,700	\$20,342		
\$0	\$0	\$0		
\$306,042	\$285,700	\$20,342		
\$57	\$40	\$17		
\$316	\$500	(\$184)		
\$306,415	\$286,240	\$20,175	10 Total Revenues	\$251,360
\$0	\$0	\$0	Expenses:	
\$0	\$0	\$0	11 Compensation to Owner(s)/Officer(s)	\$0
\$0	\$0	\$0	12 Salaries	\$0
\$0	\$0	\$0	13 Commissions	\$0
			14 Contract Labor	\$0
			Rent/Lease:	
\$200	\$200	\$0	15 Personal Property	\$1,400
\$10,668	\$10,668	(\$0)	16 Real Property	\$64,007
\$10,512	\$5,000	\$5,512	17 Insurance	\$48,668
\$0	\$0	\$0	18 Management Fees	\$0
\$998	\$998	\$0	19 Depreciation	\$5,992
			Taxes:	
\$2,632	\$2,000	\$632	20 Employer Payroll Taxes	\$4,685
\$0	\$0	\$0	21 Real Property Taxes	\$138
\$142	\$0	\$142	22 Other Taxes	\$165
\$0	\$0	\$0	23 Other Selling	\$0
\$11,097	\$6,000	\$5,097	24 Other Administrative	\$39,307
\$152	\$200	(\$48)	25 Interest	\$960
\$42,240	\$45,000	(\$2,760)	26 Other Expenses: ADVERTISING	\$274,776
\$830	\$1,500	(\$670)	AUTOMOBILE	\$6,952
\$465	\$200	\$265	EDUCATION	\$4,323
\$191,190	\$130,000	\$61,190	EMPLOYEE LEASING	\$698,589
\$1,316	\$1,500	(\$184)	MERCHANT FEES	\$8,959
\$2,145	\$500	\$1,645	MISCELLANEOUS	\$13,683
\$1,800	\$0	\$1,800	PROFESSIONAL FEES	\$3,625
\$24,658	\$1,000	\$23,658	REFERENCE MATERIAL	\$56,736
\$580	\$3,500	(\$2,920)	TELEPHONE	\$18,330
\$247	\$200	\$47	UTILITIES	\$1,735
\$301,871	\$208,466	\$93,405	36 Total Expenses	\$248,316
\$4,544	\$77,774	(\$73,230)	37 Subtotal	\$159,840
\$0	\$0	\$0	38 Reorganization Items:	\$0
\$0	\$0	\$0	39 Provisions for Rejected Executory Contracts	\$0
\$0	\$0	\$0	40 Interest Earned on Accumulated Cash from Resulting Ch 11 Case	\$0
\$0	\$0	\$0	41 Gain or (Loss) from Sale of Equipment	\$0
\$0	\$0	\$0	42 U.S. Trustee Quarterly Fees	\$4,550
			43	
\$0	\$0	\$0	44 Total Reorganization Items	\$0
\$4,544	\$77,774	(\$73,230)	45 Net Profit (Loss) Before Federal & State Taxes	\$155,290
\$0	\$0	\$0	46 Federal & State Income Taxes	\$0
\$4,544	\$77,774	(\$73,230)	47 Net Profit (Loss)	\$155,290

Attach an Explanation of Variance to Statement of Operations (For variances greater than +/- 10% only):

BALANCE SHEET
(General Business Case)
For the Month Ended 07/31/14

Assets

		<u>From Schedules</u>	<u>Market Value</u>
	Current Assets		
1	Cash and cash equivalents - unrestricted		\$284,937
2	Cash and cash equivalents - restricted		
3	Accounts receivable (net)	A	\$0
4	Inventory	B	\$0
5	Prepaid expenses		
6	Professional retainers		
7	Other: <u>PETTY CASH</u>		\$200
8			
9	Total Current Assets		<u>\$285,137</u>
	Property and Equipment (Market Value)		
10	Real property	C	\$1,200
11	Machinery and equipment	D	\$0
12	Furniture and fixtures	D	\$8,000
13	Office equipment	D	\$0
14	Leasehold improvements	D	\$0
15	Vehicles	D	\$69,740
16	Other:	D	
17		D	
18		D	
19		D	
20		D	
21	Total Property and Equipment		<u>\$78,940</u>
	Other Assets		
22	Loans to shareholders		
23	Loans to affiliates		
24			
25			
26			
27			
28	Total Other Assets		<u>\$0</u>
29	Total Assets		<u><u>\$364,077</u></u>

NOTE:

Indicate the method used to estimate the market value of assets (e.g., appraisals; familiarity with comparable market prices, etc.) and the date the value was determined.

Liabilities and Equity
(General Business Case)

Liabilities From Schedules**Post-Petition****Current Liabilities**

30	Salaries and wages		
31	Payroll taxes		
32	Real and personal property taxes		
33	Income taxes		
34	Sales taxes		
35	Notes payable (short term)		
36	Accounts payable (trade)	A	\$0
37	Real property lease arrearage		
38	Personal property lease arrearage		
39	Accrued professional fees		
40	Current portion of long-term post-petition debt (due within 12 months)		
41	Other: <u>CREDIT CARDS</u>		\$33
42	<u>CLIENT DEPOSITS</u>		\$25,430
43	<u>DUE TO AFFILIATES</u>		\$83,858
44	Total Current Liabilities		\$109,321
45	Long-Term Post-Petition Debt, Net of Current Portion		
46	Total Post-Petition Liabilities		\$109,321
Pre-Petition Liabilities (allowed amount)			
47	Secured claims	F	\$44,747
48	Priority unsecured claims	F	\$0
49	General unsecured claims	F	\$910,116
50	Total Pre-Petition Liabilities		\$954,863
51	Total Liabilities		\$1,064,184
Equity (Deficit)			
52	Retained Earnings/(Deficit) at time of filing		(\$856,397)
53	Capital Stock		\$1,000
54	Additional paid-in capital		
55	Cumulative profit/(loss) since filing of case		\$155,290
56	Post-petition contributions/(distributions) or (draws)		
57	<u>Market value adjustment</u>		
58	Total Equity (Deficit)		(\$700,107)
59	Total Liabilities and Equity (Deficit)		\$364,077

SCHEDULES TO THE BALANCE SHEET
(General Business Case)

Schedule A**Accounts Receivable and (Net) Payable****Receivables and Payables Agings**

0 -30 Days
 31-60 Days
 61-90 Days
 91+ Days
 Total accounts receivable/payable
 Allowance for doubtful accounts
 Accounts receivable (net)

	<u>Accounts Receivable</u> <u>[Pre and Post Petition]</u>	<u>Accounts Payable</u> <u>[Post Petition]</u>	<u>Past Due</u> <u>Post Petition Debt</u>
	_____	_____	
	_____	_____	
	_____	_____	\$0
	\$0	\$0	
	_____	_____	
	\$0		

Schedule B
Inventory/Cost of Goods Sold

Types and Amount of Inventory(ies)

Retail/Restaurants -
 Product for resale

<u>Inventory(ies)</u>	<u>Cost of Goods Sold</u>
<u>Balance at</u>	
<u>End of Month</u>	

Inventory Beginning of Month

Add - _____

Net purchase _____
 Direct labor _____
 Manufacturing overhead _____
 Freight in _____
 Other: _____

Less -
 Inventory End of Month _____
 Shrinkage _____
 Personal Use _____

Cost of Goods Sold _____ \$0

Manufacturer -
 Raw Materials _____
 Work-in-progress _____
 Finished goods _____

Distribution -
 Products for resale _____

Other - Explain _____

TOTAL _____ \$0

Method of Inventory Control

Do you have a functioning perpetual inventory system?

Yes _____ No _____

How often do you take a complete physical inventory?

Weekly _____
 Monthly _____
 Quarterly _____
 Semi-annually _____
 Annually _____

Date of last physical inventory was _____

Date of next physical inventory is _____

Inventory Valuation Methods

Indicate by a checkmark method of inventory used.

Valuation methods -

FIFO cost _____
 LIFO cost _____
 Lower of cost or market _____
 Retail method _____
 Other _____
 Explain _____

Schedule C
Real Property

Description	<u>Cost</u>	<u>Market Value</u>
BOOKS	\$1,200	\$1,200
Total	<u>\$1,200</u>	<u>\$1,200</u>

Schedule D
Other Depreciable Assets

Description	<u>Cost</u>	<u>Market Value</u>
Machinery & Equipment -		
Total	<u>\$0</u>	<u>\$0</u>
Furniture & Fixtures -		
OFFICE FURNITURE	\$14,680	\$8,000
SIGN	\$3,500	\$0
Total	<u>\$18,180</u>	<u>\$8,000</u>
Office Equipment -		
OFFICE EQUIPMENT	\$69,725	\$0
Total	<u>\$69,725</u>	<u>\$0</u>
Leasehold Improvements -		
LEASEHOLD IMPROVEMENTS	\$412,649	\$0
Total	<u>\$412,649</u>	<u>\$0</u>
Vehicles -		
VEHICLES	\$130,683	\$69,740
Total	<u>\$130,683</u>	<u>\$69,740</u>

Schedule E
Aging of Post-Petition Taxes
(As of End of the Current Reporting Period)

Taxes Payable	<u>0-30 Days</u>	<u>31-60 Days</u>	<u>61-90 Days</u>	<u>91+ Days</u>	<u>Total</u>
Federal					
Income Tax Withholding					\$0
FICA - Employee					\$0
FICA - Employer					\$0
Unemployment (FUTA)					\$0
Income					\$0
Other (Attach List)					\$0
Total Federal Taxes	\$0	\$0	\$0	\$0	\$0
State and Local					
Income Tax Withholding					\$0
Unemployment (UT)					\$0
Disability Insurance (DI)					\$0
Empl. Training Tax (ETT)					\$0
Sales					\$0
Excise					\$0
Real property					\$0
Personal property					\$0
Income					\$0
Other (Attach List)					\$0
Total State & Local Taxes	\$0	\$0	\$0	\$0	\$0
Total Taxes	\$0	\$0	\$0	\$0	\$0

Schedule F
Pre-Petition Liabilities

List Total Claims For Each Classification -

	<u>Claimed Amount</u>	<u>Allowed Amount (b)</u>
Secured claims (a)	\$44,747	
Priority claims other than taxes		
Priority tax claims		
General unsecured claims	\$910,116	

- (a) List total amount of claims even if under secured.
- (b) Estimated amount of claim to be allowed after compromise or litigation. As an example, you are a defendant in a lawsuit alleging damage of \$10,000,000 and a proof of claim is filed in that amount. You believe that you can settle the case for a claim of \$3,000,000. For Schedule F reporting purposes you should list \$10,000,000 as the Claimed Amount and \$3,000,000 as the Allowed Amount.

Schedule G
Rental Income Information
Not applicable to General Business Cases

Schedule H
Recapitulation of Funds Held at End of Month

	<u>Account 1</u>	<u>Account 2</u>	<u>Account 3</u>	<u>Account 4</u>
	BDCU	BDCU	BDCU	BDCU
	CHECKING	SAVINGS	CHECKING	SAVINGS
Bank				
Account Type				
Account No.				
Account Purpose	BUSINESS	BUSINESS	BUSINESS	BUSINESS
Balance, End of Month	\$95,822	\$189,810	(\$728)	\$32
Total Funds on Hand for all Accounts	\$284,937			

Attach copies of the month end bank statement(s), reconciliation(s), and the check register(s) to the Monthly Operating Report.

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Increase/(Decrease) in Cash and Cash Equivalents

For the Month Ended 07/31/14

		Actual Current Month	Cumulative (Case to Date)
Cash Receipts			
1 Rent/Leases Collected		\$306,358	\$1,412,813
2 Cash Received from Sales		\$57	\$187
3 Interest Received			
4 Borrowings			
5 Funds from Shareholders, Partners, or Other Insiders			
6 Capital Contributions			
7 CLIENT DEPOSITS RECEIVED		\$4,799	\$25,429
8 DUE TO AFFILIATES		\$36,065	\$36,757
9			
#			
#			
#	Total Cash Receipts	\$347,279	\$1,475,186
Cash Disbursements			
# Payments for Inventory			
# Selling			
# Administrative		\$11,097	\$39,307
# Capital Expenditures		\$14,240	\$14,240
# Principal Payments on Debt		\$0	\$2,558
# Interest Paid		\$152	\$960
# Rent/Lease:			
# Personal Property		\$200	\$1,400
# Real Property			
# Amount Paid to Owner(s)/Officer(s)			
# Salaries			
# Draws			
# Commissions/Royalties			
# Expense Reimbursements			
# Other			
# Salaries/Commissions (less employee withholding)			
# Management Fees			
Taxes:			
# Employee Withholding		\$0	\$2,053
# Employer Payroll Taxes		\$2,632	\$2,770
# Real Property Taxes		\$142	\$165
# Other Taxes			
Other Cash Outflows:			
# ADVERTISING		\$42,240	\$274,776
# AUTOMOBILE		\$830	\$6,952
# BANKRUPTCY FEES		\$0	\$4,550
# CONTRACT LABOR		\$0	\$127
# DUE FROM AFFILIATES		\$0	\$0
# EDUCATION		\$465	\$4,323
# EMPLOYEE LEASING		\$191,190	\$699,395
# INSURANCE		\$10,512	\$48,668
# MERCHANT FEES		\$1,316	\$8,959
# MISCELLANEOUS		\$2,145	\$13,683
# PROFESSIONAL FEES		\$1,800	\$3,625
# REFERENCE MATERIAL		\$24,658	\$56,736
# TELEPHONE		\$580	\$18,330
# UTILITIES		\$247	\$1,735
# Total Cash Disbursements:		\$304,445	\$1,205,312
# Net Increase (Decrease) in Cash		\$42,834	\$269,874
# Cash Balance, Beginning of Period		\$242,103	\$15,063
# Cash Balance, End of Period		\$284,937	\$284,937

STATEMENT OF CASH FLOWS
 (Optional) Increase/(Decrease) in Cash and Cash Equivalents
 For the Month Ended 07/31/14

		<u>Actual</u>	<u>Cumulative</u>
		<u>Current Month</u>	<u>(Case to Date)</u>
	Cash Flows From Operating Activities		
1	Cash Received from Sales		
2	Rent/Leases Collected		
3	Interest Received		
4	Cash Paid to Suppliers		
5	Cash Paid for Selling Expenses		
6	Cash Paid for Administrative Expenses		
	Cash Paid for Rents/Leases:		
7	Personal Property		
8	Real Property		
9	Cash Paid for Interest		
10	Cash Paid for Net Payroll and Benefits		
	Cash Paid to Owner(s)/Officer(s):		
11	Salaries		
12	Draws		
13	Commissions/Royalties		
14	Expense Reimbursements		
15	Other		
	Cash Paid for Taxes Paid/Deposited to Tax Acct.		
16	Employer Payroll Tax		
17	Employee Withholdings		
18	Real Property Taxes		
19	Other Taxes		
20	Cash Paid for General Expenses		
21			
22			
23			
24			
25			
26			
27	Net Cash Provided (Used) by Operating Activities before Reorganization Items	\$0	\$0
	Cash Flows From Reorganization Items		
28	Interest Received on Cash Accumulated Due to Chp 11 Case		
29	Professional Fees Paid for Services in Connection with Chp 11 Case		
30	U.S. Trustee Quarterly Fees		
31			
32	Net Cash Provided (Used) by Reorganization Items	\$0	\$0
33	Net Cash Provided (Used) for Operating Activities and Reorganization Items	\$0	\$0
	Cash Flows From Investing Activities		
34	Capital Expenditures		
35	Proceeds from Sales of Capital Goods due to Chp 11 Case		
36			
37	Net Cash Provided (Used) by Investing Activities	\$0	\$0
	Cash Flows From Financing Activities		
38	Net Borrowings (Except Insiders)		
39	Net Borrowings from Shareholders, Partners, or Other Insiders		
40	Capital Contributions		
41	Principal Payments		
42			
43	Net Cash Provided (Used) by Financing Activities	\$0	\$0
44	Net Increase (Decrease) in Cash and Cash Equivalents	\$0	\$0
45	Cash and Cash Equivalents at Beginning of Month		
46	Cash and Cash Equivalents at End of Month	\$0	\$0